

## 8. STRENGTHENING THE AMERICAN COMMUNITY

*We need to say that in the poorest neighborhoods of this country, people still have a chance to start a business, free enterprise still has a chance to take hold, people still have a chance to build a framework of community. And if we can't do that when the economy is strong, when can we do that? We have to do that.*

President Clinton  
August 1997

Most Americans are enjoying the fruits of our strong economy. Poverty, welfare, and unemployment are down. Incomes and home-ownership are up.

But progress is not uniform. While many urban and rural areas are doing better, too many others have grown disconnected from opportunity and prosperity, and their isolation—the poor from the well-off, the jobless from those who work, those from one race or ethnicity from those of another—threatens to fray the fabric of our culture.

In the early 20th Century, cities fueled America's economic growth. Still today, their future, and that of rural areas, remains central to our future as a Nation and, thus, to the future of all Americans, no matter where they live or work. We must connect residents of distressed neighborhoods to the jobs and opportunities of the regional marketplace, and replace economic distress with opportunity.

The Administration believes the Federal Government can, and should, work with States, localities, businesses, non-profits, schools, families, and individuals to help create opportunities and offer incentives for addressing local problems. Across the Nation, the Government is working in partnership with other governments and institutions, whether to encourage volunteerism through the National Service program or provide communities with economic and tax incentives to encourage private investment through the Empowerment Zones and Enterprise Communities initiative.

In the Nation's capital, the Administration is making a special effort to make Washington, D.C. a city of which all Americans can be proud. Having worked with Congress to restructure the Federal Government's relationship to the District last year, the Administration is focusing on how Federal departments and agencies can provide the District with technical help in such areas as education and law enforcement.

### **National Service**

National Service builds strong communities, educates children, develops citizen responsibility, and expands educational opportunity. The Corporation for National and Community Service, established in 1993, encourages Americans of all ages and backgrounds to help solve community problems and provides opportunities to engage in community-based service. The budget proposes \$781 million for the Corporation, a 14-percent increase over 1998, with the increase targeted to the President's America Reads initiative—an effort through which volunteer tutors will help children read well and independently by the end of the third grade.

AmeriCorps enables young Americans of all backgrounds to serve in local communities through programs sponsored by local and national nonprofits. Participants serve full- or part-time, generally for at least a year. In return, they earn a minimum living allowance set at about the poverty level of a single individual and, when they complete their service, they earn an education award to help pay for postsecondary education or

repay student loans. Over 100,000 individuals will participate through AmeriCorps's first four years, and the budget supports an AmeriCorps program of 56,000 members in 1999. The AmeriCorps program includes Volunteers in Service to America (VISTA) and the National Civilian Community Corps (NCCC).

Among other national service programs:

- Service-learning programs supported by Learn and Serve America grants engage students from kindergarten through college to serve their communities and learn citizenship. The budget proposes to fund opportunities for more than a million students.
- The National Senior Service Corps provides opportunities for citizens age 55 and older to use their time and talents to meet community needs. The budget funds the Retired and Senior Volunteer Program, the Foster Grandparent Program, and the Senior Companion Program, enabling more than half a million older Americans to serve.

Most important of all, national service participants are getting things done.

- In one Tennessee project, AmeriCorps members helped improve the health of 500 children by advising parents on proper nutrition and early childhood health, assessing family health risks, and increasing access to health education.
- In Washington State, AmeriCorps members helped cut violent crime in one housing project by 30 percent through a program that addresses juvenile crime, gang activity, school success, and youth homelessness. The program offers a late-night program for 400 high-risk youth, a street school that operates six days a week, out-of-school time activities for K-12 youth, and a program to enhance student success in schools.
- In New York City, a team of 30 older Americans that works directly with children through tutoring and mentoring has developed literacy programs, encouraged parent and grandparent involvement, led community service events for the children,

organized afterschool and summer programs, and recruited additional volunteers.

### **Empowerment Zones (EZs) and Enterprise Communities (ECs)**

As part of his 1993 economic program, the President proposed, and Congress enacted, the Empowerment Zones and Enterprise Communities program. Communities develop a strategic plan to help spur economic and community development and expand opportunities for their residents, and in return they receive Federal tax benefits, social service grants, technical assistance, and more flexibility in how they use Federal funds.

EZs and ECs are parts of urban or rural areas with high unemployment and high poverty rates. For EZs, the Federal Government provides tax benefits for businesses, and offers grants to community groups for job training, day care, and other purposes. For ECs, the Government provides grants to community groups for the same array of purposes. Both EZs and ECs can apply for waivers from Federal regulations, enabling them to better address their local needs. In addition, special set-asides from Agriculture Department rural development programs are available to rural EZ/ECs.

The 1994 competition for the first round of EZ and EC designations generated over 500 applications and created new local partnerships for community revitalization—even in communities not chosen. The 105 selected communities made well over \$8 billion in private-public commitments (in addition to the promised Federal resources), bringing greater economic opportunity to both distressed urban and rural areas.

The Kentucky Highlands rural EZ, for instance, is using \$11 million of EZ funds to expand the amount of development venture capital available in its borders. From the \$5.6 million obligated to date, the EZ has leveraged \$38 million in additional capital for 11 new manufacturing enterprises that have created 575 jobs and committed to create another 1,600. In the six urban EZs, the private sector has made or committed over \$2 billion in new investment, bringing greater opportunity to those cities. The Detroit

### **Celebrating the Millennium and America's Treasures**

The new White House Millennium Council will lead the country in a celebration of the new millennium—initiating and recognizing national and local projects and efforts that contribute to the celebration in educational, creative, and productive ways. By stressing the creative achievements and accomplishments of Americans in exploration, innovation, and discovery, and by educating Americans, especially children, about our history, democracy, and civil society, the Council can help ensure that these values and traditions endure into the next century. The Council will work with Federal agencies, Congress, States, Tribes, elected officials, communities, citizens, and private and non-profit organizations to recognize the Nation's historical accomplishments, reflect on the forces shaping our society, and encourage thoughtful planning for the future.

The budget proposes \$50 million for the National Park Service Historic Preservation Fund, working with the Council, to help public and private entities to commemorate the Millennium. These funds will support one of the most important tasks facing America at the turn of the century—to preserve America's treasures for future generations. These treasures include the historic buildings, sites, documents, objects, manuscripts, photographs, works of art, maps, journals, still and moving images, and sound recordings that document and illuminate our Nation's history and our cultural heritage.

The budget also funds important cultural institutions and programs. It provides the resources to complete the Mall Museum of the National Museum of the American Indian, a public-private partnership between the Federal Government and the Native American community that will open to the public in 2002. It also provides increased funds to help the Smithsonian address the backlog of needed repairs at several of its major museums, such as the National Museum of Natural History. In addition, the budget provides funds for the Kennedy Center to continue major interior renovations that will permit greater access by the disabled persons and better use of its space. Finally, the budget provides increases for cultural institutions, such as the Smithsonian and the National Endowment of the Arts, to digitize portions of collections and, in turn, enhance public access to them.

EZ alone has supported thousands of new jobs, helping to drop the city's jobless rate from 11 percent to 8.7 percent since 1994. In a recent report card on EZs in general, Standard and Poor's, the credit rating agency, concluded that, "when executed successfully, [EZs] can contribute to the local economy and lead to an improvement in the issuer's credit rating."

But many communities that were not designated as EZs or ECs lack the seed capital to begin their revitalization efforts. Thus, in last year's budget, the President proposed a second round of EZs/ECs to stimulate further private investment and economic opportunity in distressed urban and rural communities and to connect residents to available local jobs. Congress authorized 22 additional EZs, and made qualified businesses in these EZs eligible for tax incentives, including upfront deductions for qualifying capital investments, new tax-exempt facility bonds, a new deduction for environmental remediation costs,

and a new tax credit for holders of qualified Zone education "academy" bonds. This budget proposes flexible block grant funds, \$100 million per urban EZ and \$40 million per rural EZ over 10 years, to complement the tax incentives and encourage comprehensive planning to revitalize these distressed areas.

The program will continue to challenge communities to develop their own comprehensive, strategic plans for revitalization, with input from residents and a wide array of community partners. The Administration will invest in communities that develop the most innovative plans and secure significant local commitments. It will offer a competitive application process to stimulate the public-private partnerships needed for large-scale job creation, business opportunities, and job connections for families in distressed communities. Also, communities will receive priority consideration for funds from Federal economic development programs and for waivers of Federal requirements from the President's Community

Empowerment Board, which the Vice President chairs. The upcoming competition will build on the President's Brownfields initiative, which promotes the clean-up and redevelopment of contaminated industrial and commercial sites. (For more information on the Brownfields program, see Chapter 4, "Protecting the Environment.")

### **Community Development Lending**

The Community Development Financial Institutions (CDFI) Fund, which the President proposed and Congress established in 1994, expands the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. By creating and expanding a diverse set of CDFIs, the Fund helps develop new private markets, create healthy local economies, promote entrepreneurship, restore neighborhoods, generate tax revenues, and empower residents. The Fund represents a new approach to community development that uses limited Federal resources to leverage significant private sector and local resources, promotes self-sustaining CDFIs, and catalyzes new community lending and investment activity by conventional financial institutions.

CDFIs provide a wide range of financial products and services, such as mortgage financing to first-time home buyers, commercial loans to start or expand small businesses, loans to rehabilitate rental housing, and basic financial services. CDFIs include a broad range of institutions—e.g., community development banks, low-income credit unions, community development loan and venture capital funds, and microenterprise loan funds.

The budget proposes \$125 million for the CDFI Fund, a \$45 million increase over the 1998 level; the new funds would expand a training and technical assistance initiative and, in part, help accelerate the development of a secondary market for community development loans. To date, the CDFI Fund has received requests for almost \$500 million in assistance—over six times the amount available—from over 400 applicants. In 1997, the Fund chose 48 CDFIs to receive \$38.3 million in financial and technical assistance. In addition, the Fund awarded \$17 million to 55 traditional banks and thrifts for increas-

ing their activities in economically distressed communities and investing in CDFIs.

The Fund can dramatically leverage private funds in distressed communities. For example, its \$3 million investment in Self-Help of Durham, N.C., helped leverage \$24 million in mortgage financing and commercial lending. In addition, the Fund can strengthen CDFIs themselves and expand their ability to lend and invest. The Santa Cruz Community Credit Union is using \$1 million from the Fund to open a new branch to serve mostly low-income, Hispanic residents of Watsonville, California. With a \$1 million loan from the Fund, the Tlingit-Haida Regional Housing Authority will begin home mortgage lending in southeast Alaska's three urban areas—providing one of the first sources of affordable mortgage loans to Alaska Natives in these markets.

The budget also provides \$400 million for the Department of Housing and Urban Development's (HUD) Economic Development Initiative, including the resources for a new Community Empowerment Fund to support economic development efforts and help create a secondary market for HUD's Community Development Loan Guarantee (Section 108) program. Through grants and loans, this new program would help State and local governments standardize the underwriting and documentation of loans to businesses in distressed areas, and expand credit for economic and community development lending.

### **Urban and Rural Development**

The Administration has worked to give communities flexible tools to develop affordable housing, revitalize their economies, and promote equal housing opportunity for all.

Hoping to reverse a decline in homeownership, for instance, the Administration in 1994 launched an unprecedented partnership with 58 key public and private organizations to form a National Homeownership Strategy. The partners are reducing barriers to homeownership by cutting mortgage closing costs and down payment requirements; simplifying the process of financing home purchases and repairs; and opening markets for women, minorities, central-city home buyers, and others traditionally locked out of conventional

### Enforcing Civil Rights

Federal civil rights laws reflect the Nation's respect for core values that bind together diverse segments of the American community. These laws protect Americans' rights to equal access to educational opportunities and equal opportunity in the workplace, and their rights to live where they want and practice the religious faith they choose. As the population grows more and more diverse, the Nation must continue to ensure that all of its citizens have the same chance to prosper.

Federal civil rights agencies enforce our laws against discrimination. Effective enforcement promotes the economic well-being of Americans who seek good jobs, a better education for their children, and the chance to become self-sufficient. The Nation must enforce its civil rights laws fairly, consistently, and aggressively, and that requires adequate funding for these agencies.

The budget proposes \$602 million for civil rights enforcement agencies, an increase of \$86 million, or 17 percent, over the 1998 level, including the necessary funds to improve compliance; expand the use of alternative dispute resolution methods; improve information systems; and develop better data collection capabilities for research and enforcement.

The budget provides a 15-percent increase, to \$279 million, for the Equal Employment Opportunity Commission to more quickly resolve private sector complaints; a 70-percent increase, to \$52 million, for the Department of Housing and Urban Development to crack down on housing discrimination; and a 10-percent increase, to \$72 million, for the Justice Department's Civil Rights Division to better coordinate Federal civil rights enforcement and to expand investigations and prosecutions of police brutality and violations of the Americans with Disabilities Act. (For more information on these initiatives, see Chapter 12 of *Analytical Perspectives*, "Civil Rights Enforcement Funding.")

lending markets. Along with a strong economy and low interest rates, this effort has helped boost homeownership to 66 percent—an all-time high; 5.8 million Americans have become homeowners under this Administration, including record numbers of minorities.

But the job is not done. Homeownership in central cities and among women, minorities, and lower-income Americans hovers at or below 50 percent. Consequently, to boost homeownership among these groups, the budget proposes \$25 million for a Neighborhood Reinvestment Corporation pilot program to help renters with solid payment track records own their own homes. The budget also proposes a Home Loan Guarantee program to allow States to use HOME funds to leverage private loans for large-scale, affordable housing developments in distressed areas. To expand housing opportunities and combat discrimination, the budget proposes that HUD fund fair housing enforcement using paired testers—a proven method to detect discrimination—in 20 communities in order to develop local indices of discrimination, identify and pursue violations of fair housing laws, and

promote new community fair housing enforcement initiatives.

To spur the private sector to develop more affordable rental housing for low-income Americans, the budget proposes a major expansion of the Low Income Housing Tax Credit, which will help develop another 150,000 to 180,000 affordable housing units over the next five years. Currently, the credit helps develop 75,000 to 90,000 affordable units a year. The proposal, which will cost \$1.6 billion over the next five years, will restore the value of the tax credit, which has eroded over the last decade due to an increase in building costs. The credit helps to reduce the cost of rent by an average of \$450 a month for the average housing credit renter who, in turn, earns \$13,300 a year.

For public housing, the Administration has advanced the most profound changes in over a generation, replacing the most dilapidated developments with smaller scale, affordable housing and portable vouchers; restoring management excellence to troubled housing agencies; providing incentives for tenant self-sufficiency; and strengthening occupancy and

eviction rules. The budget builds on the progress by supporting efforts to demolish 54,000 of the worst public housing units in the next three years and replace them with portable subsidies or newly constructed mixed income housing. The budget also proposes \$283 million for 50,000 portable housing vouchers for families seeking to move from welfare to work. Local housing agencies that work in partnership with State and local welfare agencies will get the flexibility to design programs to serve welfare families for whom housing assistance is critical for getting and retaining jobs.

Because their needs are so different, no single approach will help both urban and rural communities. The Administration has proposed to give States, localities, and Tribes more flexibility in how they use USDA's Rural Development grants and loans for businesses, water and wastewater facilities, and community facilities such as day care centers and health clinics. The 1996 Farm Bill authorized this approach through a new Rural Community Assistance Program (RCAP), combining 12 separate USDA programs into a Performance Partnership that can tailor assistance to the unique economic development needs of each rural community. The budget proposes \$2.9 billion in loans and grants for RCAP, four percent more than in 1998, and the full flexibility that the 1996 Farm Bill envisioned.

The budget also boosts funding for the Commerce Department's Economic Development Administration (EDA). The EDA would create an Office of Community and Economic Adjustment Assistance to work directly with communities adversely affected by major plant closings and international trade agreements

and increase the number of grants available to communities.

### **Government-to-Government Commitment to Native Americans**

The Administration honors its government-to-government relationship with Tribes by protecting critical, reservation-level programs, turning back congressional threats to Tribal sovereignty, and bringing together government leaders and resources to address important Tribal concerns. The budget protects these priorities and proposes more assistance to combat crime, foster educational opportunities, and promote environmental conservation. The budget proposes \$7.8 billion, four percent more than in 1998, for Government-wide programs addressing basic Tribal needs and encouraging self-determination (see Table 8-1).

A joint law enforcement initiative of the Interior (DOI) and Justice Departments, for which the budget proposes \$182 million in 1999, will address sharply increasing crime rates in Indian country with more resources for drug and youth crime prevention programs, police investigators and officers, Tribal courts, and detention facilities. The Administration also proposes a new school construction initiative and more resources for school operations; education opportunity zones; early intervention partnerships; child care; technology to link schools, classrooms, and libraries; and teacher preparation and recruitment. Finally, the Interior and Commerce Departments recently issued a Secretarial Order to assist Tribes in promoting healthy ecosystems and developing conservation measures.

DOI's Bureau of Indian Affairs (BIA) and the Health and Human Services Department's Indian Health Service (IHS) comprise nearly

### **Investing in the Delta Region**

The budget proposes \$26 million to apply the successful economic development model of the Appalachian Regional Commission (ARC) to help 219 distressed counties in the seven-State Lower Mississippi Delta Region, which has suffered from persistently high poverty and low economic growth for much of the past 40 years.

The ARC's Federal-State partnership is a proven economic development tool that embodies balanced, equitable fiscal decision-making and that could dramatically improve the economic viability of the Delta Region.

**Table 8-1. GOVERNMENT-WIDE NATIVE AMERICAN PROGRAM FUNDING**

(Budget authority, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
BIA .....	1,639	1,702	1,844	+142	+8%
IHS <sup>1</sup> .....	2,351	2,431	2,476	+45	+2%
All other .....	2,925	3,357	3,507	+150	+5%
<b>Total</b> .....	<b>6,915</b>	<b>7,490</b>	<b>7,827</b>	<b>+337</b>	<b>+4%</b>

<sup>1</sup> IHS program level includes both budget authority and Medicaid, Medicare, and private insurance collections.

two-thirds of Federal funding for Native American programs.

For the BIA, the budget proposes \$1.8 billion, eight percent over the 1998 level, including a five-percent increase for Tribal priority allocations, to meet basic local needs and improve the quality of life of a growing population; build strong Tribal governments; promote Tribal self-sufficiency; and fulfill the Federal trust responsibility to Native Americans. Over 90 percent of BIA operations funding goes for basic, high-priority reservation-level programs such as education, social services, law enforcement, housing improvement, and natural resource management.

For IHS, the budget proposes \$2.5 billion, a two-percent increase over the 1998 level, enabling IHS to continue to uphold the Federal Government's responsibility to promote the health of American Indian and Alaska Native people, communities, and cultures by providing quality curative and preventive medical care. In some cases, IHS is the only source of medical care available on remote reservation lands.

IHS facilities continue to provide quality medical care. The budget proposes funds to help construct the Keams Canyon Service Unit on the Hopi reservation and a replacement for the Fort Defiance Hospital, an antiquated facility, on the Navajo reservation. In addition, the \$30 million a year in diabetes-related funding that IHS receives under the new Children's Health Insurance Program

will help alleviate complications from diabetes, such as blindness, foot amputation, and End Stage Renal Disease among American and Alaskan Natives.

BIA and IHS will continue to promote Tribal self-determination through local decision-making. Tribal contracting and self-governance compact agreements now represent half of BIA's operations budget, and over a third of IHS' budget. The self-governance agreements, which give Tribes greater flexibility to administer Federal programs on reservations, will likely grow in number to 74 in BIA in 1999, a 16-percent increase from 1998. BIA and Tribes are negotiating to permanently implement the self-governance program, ensuring its strong future and continued growth.

Finally, after Tribal consultations on its December 1996 report, DOI submitted its "Recommendations of the Secretary of the Interior for Settlement of Disputed Tribal Accounts" to Congress in November 1997. This proposal reflects the Administration's commitment to resolve disputed Indian trust fund account balances through informal dispute resolution. The budget also supports the recently introduced Indian Land Consolidation Act Amendments, to address the problem of highly fractionated land ownership by individual Indians on reservations. Also, within the Administration's three-pronged approach to address trust fund-related issues, the budget supports DOI's Office of Special Trustee's trust fund management improvement

project to resolve problems in individual Indian accounts, convert to a commercial-grade accounting system, and strengthen the management of the underlying trust assets.

### **The District of Columbia**

As President Clinton told congregants at Metropolitan Baptist Church in Washington, D.C. recently, the Administration is committed to being “a better neighbor” to the District of Columbia.

The President’s comprehensive plan for the District, which Congress largely funded last year, was an important step along the way. By relieving the District of major financial burdens that it should never have had, the plan lays the groundwork for the District to restore its fiscal health.

Under the plan, the Federal Government assumed certain functions in which it has a clear interest.

- *Criminal Justice:* The Federal Government now funds D.C.’s Court System and other key elements of the District criminal justice system, including the incarceration of sentenced felons and supervision of all adult offenders.
- *Medicaid:* The Federal Government has assumed the role typically played by both Federal and State governments under this health insurance program, paying 70 percent of Medicaid spending in the District (compared to the previous 50 percent).
- *Pensions:* The Federal Government is resuming responsibility for an estimated \$5.9 billion unfunded pension liability that it transferred to the District in 1979.

In exchange, the Federal Government eliminated its annual payment to D.C., which totaled \$660 million in 1997, though it provided a one-time, \$190 million payment for District operations in 1998.

Under the President’s plan, the District government estimates that it will save about \$200 million in 1998 alone. To balance its budget in 1998 and maintain balance thereafter, the District plans to launch major management reforms, cut spending, and finance part of its \$528 million accumulated deficit.

The Administration—through its departments and agencies—will continue to provide technical help and other assistance to the District in specific areas, such as education and law enforcement. The budget, for instance, proposes \$20 million to help D.C. public schools implement reforms that hold the promise of improving student achievement, including expanding summer school, training teachers and principals, and placing reading specialists in every school.

The upcoming year is a pivotal one for the Federal and District governments to implement the landmark changes in their relationship, and for D.C. to implement vital management reforms. The Administration, which strongly supports the District’s right to self-governance, is committed to do its part, and it proposes to pay for certain special expenses that arise from District implementation of the President’s plan in the areas of District Corrections, Courts, and Offender Services Agency operations.

Moreover, the budget proposes to build on last year’s plan by providing \$100 million for economic development initiatives, including \$50 million to fund an economic development entity created by the District; \$25 million to make the proposed Washington Convention Center more accessible to the public through Washington’s Metro subway system; and \$25 million to fund management reform initiatives to improve the city’s economic development infrastructure.



**Expanding Public Television**

The budget provides \$450 million over five years to help the public broadcasting system make the transition to digital technology, which will greatly expand educational, community service, and cultural programming. New digital technology will set the stage for four to six more channels and new innovative television applications, including high definition and interactive television.

These funds—for the Corporation for Public Broadcasting and the Commerce Department—will ensure that public broadcasting can take advantage of the transition while continuing to meet four core principles: education, non-commercialism, universal access, and localism in the digital era.